

Message Text

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ORIGIN XMB-04

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FROM EXIMBANK FOR AMBASSADOR

E.O. 11652: N/A

TAGS: EFIN, ETRD, XMB, PE

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SUBJECT: EXIMBANK POLICY TOWARD PERU.

REF: A.78 STATE 30088, B. 78 LIMA 2417

1. AS NOTED IN REF A, EXIMBANK WILL CONTINUE TO FOLLOW A
RESTRICTIVE POLICY TOWARD PERU IN LIGHT OF THE PRECARIOUS
FOREIGN EXCHANGE SITUATION THERE. IF ANYTHING, SINCE
FEBRUARY 4 WHEN REF A WAS TRANSMITTED, THE BALANCE-OF-
PAYMENTS SITUATION SEEMS TO HAVE WORSENER. OF PARTICULAR

CONCERN TO EXIMBANK IS THE FAILURE OF GOP TO QUALIFY AS OF YET FOR THE SECOND TRANCHE OF IMF STANDBY AGREEMENT. IMF STAFF INDICATES THAT THERE ARE IMPORTANT SHORTFALLS IN PERUVIAN PERFORMANCE, A FACT THAT SEEMS TO BE HOLDING UP PROGRESS IN NEGOTIATIONS BETWEEN GOP AND THE COMMERCIAL BANK SYNDICATE FOR BALANCE-OF-PAYMENTS AID.

2. EXIMBANK HAS RELATIVELY LARGE EXPOSURE IN PERU, WHICH AS OF FEBRUARY 28, 1978, TOTALED DOLLARS 285 MILLION, OF WHICH DOLLARS 156 MILLION REPRESENTED LONG-TERM CREDITS AND DOLLARS 129 MILLION EXPORTER CREDITS. STILL AVAILABLE TO SOME 165 U.S. COMMERCIAL BANKS AND MASTER INSURANCE POLICY HOLDERS IS THE BANK/EXPORTER DELEGATED OR DISCRETIONARY AUTHORITY. UNDER THIS AUTHORITY, EXIMBANK IS COMMITTED BY

THE COMMERCIAL BANK(S) OR THE INSURED AND IS ABLE TO REVIEW PERUVIAN COMMITMENTS ONLY AFTER THE FACT. THE BANK THUS IS UNABLE TO CONTROL ITS EXPOSURE IN A MANNER CONSISTENT WITH ITS PRESENT RESTRICTIVE POLICY TOWARD PERU, AS EXPLAINED IN REF A.

3. EXIMBANK'S STATUTORY REQUIREMENT FOR CREDITWORTHINESS IS THAT A REASONABLE ASSURANCE OF REPAYMENT MUST EXIST IN ALL TRANSACTIONS. IN LIGHT OF (A) THE PERUVIAN CRITICAL LIMITED OFFICIAL USE

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SHORTAGE OF FOREIGN EXCHANGE, (B) THE INABILITY OF PERU TO QUALIFY FOR THE SECOND STANDBY TRANCHE, AND (C) THE RELUCTANCE OF COMMERCIAL BANKS TO ROLL OVER CURRENT LOANS PENDING PERUVIAN COMPLIANCE WITH THE IMF STANDBY PROVISIONS AND THEIR PERCEPTION THAT PERU'S CURRENT DEBT SERVICING DIFFICULTIES WILL LEAD TO WIDESPREAD DEBT RENEGOTIATION; EXIMBANK IS SEEKING FURTHER WAYS OF LIMITING ITS EXPOSURE IN PERU IN AS UNOBTUSIVE MANNER AS POSSIBLE. MEETINGS WITH STATE AND TREASURY OFFICIALS HAVE BEEN HELD SO AS TO MAKE OTHER INTERESTED USG ENTITIES FULLY AWARE OF THE BANK'S ATTITUDE TOWARD PERU AND TO GET AGENCIES' VIEWS ON ACTIONS PROPOSED BY THE BANK. (DURING MEETINGS AGENCY REPS STRESSED THEY WERE VERY SENSITIVE ABOUT BANK'S NOT TAKING ANY ACTION WHICH COULD BE MISINTERPRETED BY PERU OR THE BANKING COMMUNITY OR COULD PRECIPITATE SERIOUS PROBLEMS FOR PERU.)

4. THE BANK DOES NOT PRESENTLY PLAN TO LOWER PERU'S CREDIT RATING (I.E., THE BASE RATE FOR EXPORTER CREDIT TRANSACTIONS) OR TO WITHDRAW ITS DELEGATED AUTHORITY TO MASTER POLICY HOLDERS OR THE COMMERCIAL BANKS SINCE SUCH AN ACT MIGHT BE PERCEIVED BY THE PERUVIANS TO BE AN UNFRIENDLY SIGNAL. HOWEVER, THE BANK WILL AMEND EXPIRING MASTER POLICIES WHEN THEY ARE PRESENTED FOR RENEWAL SO AS

TO LIMIT THE INSURED TO DISCRETIONARY AUTHORITY DOLLARS 15,000 COVERAGE FOR ANY ONE INSURANCE TRANSACTION IN PERU. ANY ADDITIONAL INSURANCE COVERAGE MUST BE SUBJECT TO REVIEW BY THE BANK. THIS ACTION HAS BEEN DISCUSSED WITH NSC, STATE, AND TREASURY OFFICIALS. (IN CONDUCTING REVIEW THE BANK WOULD CAREFULLY CONSIDER, E.G., THE SIZE OF THE PROPOSED TRANSACTION AND CONDITIONS PREVAILING AT THE TIME.)

5. DISBURSEMENTS UNDER EXISTING LONG-TERM CREDITS FOR PERU, PROJECTED TO TOTAL ABOUT DOLLARS 10 MILLION IN 1978, ARE NOT AFFECTED AT THIS TIME. REPAYMENTS OF PRINCIPAL AND INTEREST TO THE BANK FROM PERU ARE PROJECTED AT APPROXIMATE LIMITED OFFICIAL USE

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MATELY DOLLARS 16.4 MILLION IN 1978. IN THIS CONNECTION BANK'S OUTSTANDING AND UNDISBURSED LONG-TERM CREDITS TO PERU AS OF 12/31/77 WAS DOLLARS 146 MILLION OF WHICH DOLLARS 80.2 WAS FOR COPPER EXPLORATION, DOLLARS 22.5

MILLION WAS FOR CEMENT PLANTS, DOLLARS 14.4 MILLION FOR SINTERING PLANT AND DOLLARS 28.9 MILLION FOR JET AIRCRAFT.

6. AS INDICATED IN REFTTEL, EXIMBANK WILL CONTINUE TO MONITOR THE PERUVIAN ECONOMIC SITUATION CLOSELY, AND AGAIN EXPRESSES ITS APPRECIATION FOR THE EMBASSY'S TIMELY ECONOMIC REPORTING AND THE CLOSE COOPERATION RECEIVED FROM STATE AND TREASURY OFFICERS. COOPER

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